

**STATEMENT OF SENATOR JOHN McCAIN, CHAIRMAN,
SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
HEARING ON S. 1510, THE UNITED STATES CRUISE SHIP TOURISM
DEVELOPMENT ACT
OCTOBER 6, 1999**

Cruise tourism is a booming industry world wide with roughly four million Americans passengers annually. However, due to barriers in an obscure 1886 law commonly referred to as the Passenger Vessel Services Act, most of our nation's port cities are missing out on this economic boom.

These barriers limit the choices Americans have when deciding on a cruise vacation by restricting the operation of internationally owned and operated vessels from making successive calls on our coast lines.

Additionally, new American companies that want to enter the large cruise ship domestic market are faced with barriers that prevent them from purchasing vessels already in operation. Instead, they are forced to try and overcome what to date has been the insurmountable task of acquiring financing to build a vessel in a U.S. shipyard at costs well above the world market. The task of acquiring financing is made more difficult by recent reports that point to an over-supply of vessels in the industry.

It has become clear that the that the Passenger Vessel Services Act is prohibiting American cruise passengers from cruising between U.S. ports and preventing a wide range of American maritime business and workers from benefiting from increased domestic trade. The protectionist obstacles to trade contained in the Passenger Vessel Services Act are neither bringing about U.S.-flagged ocean liners nor creating American cruise industry jobs.

I remain a firm believer in removing obstacles to free trade and it is clearly time to revisit the Passenger Vessel Services Act. At a minimum, the Act must be reformed in order to benefit the cruising consumer, travel agents, U.S. ports, and businesses, stevedores, longshoremen, and other workers who would service and supply cruise ships sailing in the domestic market.

I am aware of recent advancements in the U.S. domestic cruise market that will introduce new vessels to the market. However, I remain convinced that the domestic market will remain virtually stagnant without the introduction of internationally vessels, reflagged vessels, and newly constructed vessels. This combination of ships is needed to service new markets and provide new competition.

The cruise tourism industry today does not adequately serve U.S. port cities; nor does the PVSA actually protect U.S. cruise operators from competition. Internationally flagged operators already call on U.S. ports, although not successive ports, and U.S. operators already compete with international operators both in North America and worldwide. What I find most troubling about the current law is that it does not allow most of our port cities to compete for vacationers in this growing market.

Further, I understand that U.S. shipbuilders and some U.S. seafarers, as they did with similar measures in the last Congress, object to S. 1510 based on the belief that the U.S.-flag cruise ship industry is growing on its own and that the best way to continue this growth is to have the American taxpayers and this Congress provide them with tax and regulatory breaks.

Additionally, opponents of this measure claim that U.S.-flagged vessels cannot compete and grow due to what they deem the unfair operating environment on international vessels. As evidence, they point to recent press accounts that highlight environmental, health and safety problems on board internationally flagged vessels.

I agree that the some international cruise operators that currently operate in and out of U.S. ports, have failed to follow the spirit of the law, if not the laws themselves, and that they must do more to ensure the on-board safety and comfort of their passengers.

I believe that continued failure by the international cruise industry to abide by all U.S. and international laws and regulations for operation in and out of our ports and to meet high standards with regard to passenger safety and well-being will result in action to restrict access, not expand it. I challenge them to improve their operations and I warn them that if they don't, the Congress will act. But that situation aside, we still must act to give the cruising consumer more choices.

For this reason I have joined Senators Hutchison, Feinstein and Murkowski to introduce S. 1510. I hope that today's hearing will provide insights on the possible economic benefits to be gained by passage of this measure.

I also want to note that I am disappointed that Mr. Phillip Calian, President of American Classic Voyages, operator of the only large cruise vessel in the U.S. domestic market declined to testify today to share his views on the bill, but I look forward to hearing from our witnesses on how we can improve the bill and move forward on the legislative process.

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